

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07  
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06  
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00  
OMB-01 DODE-00 DOTE-00 FMC-01 SAL-01 CG-00 DLOS-06  
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DEPT PASS MARAD, FMC

E.O. 11652: N/A

TAGS: ETRN, OECD

SUBJECT: MEETING OF WP6 OF COUNCIL ON SHIPBUILDING,  
DEC. 6-7

1. SUMMARY. AT DECEMBER 6-7 MEETING OF SHIPBUILDING WP,  
EC-9 CONFRONTED JAPAN WITH MARKET-SHARING PROPOSAL TO  
PREVENT "IMBALANCES IN REGIONAL DISTRIBUTION OF NEW  
ORDERS IN SHIPBUILDING SECTOR". DRAFT ARRANGEMENT  
WOULD PROVIDE FOR EQUITABLE SHARING OF NEW ORDERS  
BETWEEN JAPAN AND WEST EUROPEAN SHIPBUILDERS. JAPANESE  
REPEATED AND DETAILED THEIR PREVIOUS-  
LY STATED PLAN TO REDUCE MAN-HOURS AND EMPHASIZED THIS  
SCHEME IS LIMIT OF WHAT THEY CAN DO. JAPANESE BALKED  
AT EEC PROPOSAL ON SEVERAL GROUNDS. BUT MAIN OBJECTION  
WAS THAT EC PROPOSAL IS THREAT TO FREE ENTERPRISE  
SYSTEM. ARRANGEMENT WILL BE RECONSIDERED AT JAN 11-12  
WP6 MEETING. JAPANESE DEL ACCEPTED IN PRINCIPLE COM-  
PENSATED GROSS TONNAGE AS OPPOSED TO GROSS REGISTERED  
TONNAGE AS MEASUREMENT OF PRODUCTIVE CAPACITY, ALTHOUGH  
SEVERAL MONTHS WORK STILL NEEDED TO RESOLVE TECHNICAL  
PROBLEMS. CHAIR REPORTED ON NOV 12 MEETING

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WITH TRADE UNION ADVISORY COMMITTEE WHICH DISCUSSED

PROBLEM CONFRONTING SHIPBUILDING. WP6 AGREED TO MEET WITH TUAC IN FIRST HALF OF NEXT YEAR FOR EXCHANGE OF VIEWS. END SUMMARY.

2. ORAL STATEMENT BY SECRETARIAT.

CHAIR REPORTED ON NOV 12 MEETING BETWEEN TRADE UNION ADVISORY COMMITTEE, SECRETARIAT AND CHAIRMAN TO EXCHANGE VIEWS. TWELVE-MEMBER-COUNTRY UNION ORGANIZATIONS (INCLUDING US) PARTICIPATED. ACCORDING TO CHAIR, TUAC EXPRESSED CONCERN BY LDC UNDERBIDDING WHICH IMPAIRS INDUSTRY'S ABILITY TO MEET SOCIAL RESPONSIBILITIES. TUAC ALSO AFFIRMED EMPLOYMENT SECURITY IN SHIPBUILDING INDUSTRY AS THE BASIC SOCIAL GOAL, FOR WHICH IT SUGGESTED SEVERAL ALREADY PROPOSED CRISIS SOLUTIONS SUCH AS EARLY RETIREMENT OF SHIPS. CHAIR REPORTED ON TUAC'S INTEREST IN MEETING WITH WP. MOST DELS RESPONDED FAVORABLY AND SUGGESTED THAT WP RECEIVE TUAC DURING COURSE OF REGULAR WP MEETING IN FIRST HALF OF 1977.

3. REPORT BY AD HOC GROUP ON DEFINITIONS.

AD HOC GROUP CONSISTING OF REPS FROM JAPAN, FRG, SWEDEN, SECRETARIAT, SHIPBUILDERS' ASSOCIATION OF JAPAN (SAJ) AND ASSOCIATION OF WESTERN EUROPEAN (AWES) MET NOVEMBER 25 IN TOKYO IN ATTEMPT TO HARMONIZE CRITERIA FOR MEASURING SHIPYARD PRODUCTION. (JAPAN USES GROSS TONS WHILE EUROPEANS PREFER COMPENSATED GROSS TONNAGE.) AD HOC GROUP CHAIRMAN SAID THAT HE HAS IMPRESSION CONSENSUS FAVORED CGRT RATHER THAN GRT, AND THAT CGRT CRITERIA COULD BE IMPLEMENTED IN 1977 AFTER RESOLUTION OF TECHNICAL PROBLEMS. JAPANESE DEL SAID THAT WHILE IT COULD ACCEPT CGRT CRITERIA AS BASIS OF OF EXCHANGING INFORMATION, SEVERAL MONTHS ARE NEEDED TO REACH AGREEMENT ON VARIABLES ESPECIALLY ON CRITERIA FORMULATION CONCERNING INCLUSION OF SMALL SHIPS IN CALCULATIONS.

4. GOVERNMENTAL POLICIES TO SUPPLEMENT GENERAL GUIDELINES FOR SHIPBUILDING INDUSTRY - (JAPAN DEFENDS FREE ENTERPRISE SYSTEM.)

JAPANESE DEL ISSUED NOTE DESCRIBING NOV. 25 TRANSPORT LIMITED OFFICIAL USE

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MINISTRY RECOMMENDATION TO 40 COMPANIES TO REDUCE MANHOURS WORKED BY 25 PERCENT IN 1977 AND 30 PERCENT IN 1978 USING 1975 AS A "STANDARD YEAR". JAPANESE DEL THEN SAID JAPAN HAS FREE MARKET ECONOMY, ENTERPRISES SET OWN PRODUCTION LIMITS, AND GOJ IS LEGALLY LIMITED AS TO HOW FAR IT CAN GO. HE SAID "WE ARE FULLY AWARE OF THE RECESSION'S IMPACT ON SHIPBUILDING AND WE HAVE MADE A MAXIMUM ENDEAVOR TO GUIDE OUR

INDUSTRY AND RECOMMEND ITS COOPERATION WITH THE GOVERNMENT". HE CONCLUDED THAT SOME MEMBERS HAVE NATIONALIZED THEIR INDUSTRY AND THUS ARE IN A BETTER POSITION TO CONTROL IT: "BUT I EMPHASIZE THAT IN CASE OF PRIVATE

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ENTERPRISE, GOVERNMENT ACTION IS LIMITED."  
HE THEN INSISTED THAT OTHER DELS REPORT ON THEIR CONCRETE  
MEASURES TO REDUCE CAPACITY.

5. EC RESPONSE.

NETHERLANDS DEL, REPORTING IN GENERAL ON EC POLICIES  
DURING 1976, NOTED FOLLOWING REDUCTIONS: EMPLOYMENT  
5 PERCENT, MAN-HOURS 10 PERCENT AND COMPENSATED GROSS  
TONNAGE PRODUCTION 13 PERCENT. HE ADDED THAT OVERALL  
PRODUCTIVITY WILL BE REDUCED 30 PERCENT BY 1978. HE THEN  
DISMISSED JAPAN'S PROPOSALS TO REDUCE MAN-HOURS AS "NOT  
SUFFICIENTLY CONCRETE". A SHARP EXCHANGE ENSUED BETWEEN  
JAPANESE AND NETHERLANDS DELS AS TO WHICH MEASURES  
WERE THE MORE SPECIFIC. FRENCH DEL JOINED NETHERLANDS  
NOTING THAT GOF HAD CLOSED 50 PERCENT (FROM 14 TO 7) OF  
SHIPYARDS OVER LAST SEVERAL YEARS, THAT ISSUE IS NOT

MAN-HOURS BUT REDUCED PRODUCTIVE CAPACITY. HE SAID IT IS INEQUITABLE FOR JAPAN TO HAVE 75 PERCENT OF 1976 ORDERS AND TO MAINTAIN 50 PERCENT OF WORLD ORDERS THROUGH 1980. OTHER DELS JOINED IN DENOUNCING INIQUITIES OF JAPAN'S DOMINANT POSITION.

6. EC PROPOSAL FOR REGIONAL DISTRIBUTION OF NEW ORDERS. LIMITED OFFICIAL USE

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THIS ITEM WAS NOT ON AGENDA, BUT ANNOUNCED BY NETHERLANDS DEL ON BEHALF OF EC IN MORNING SESSION AND DISTRIBUTED IN AFTERNOON. PROPOSAL ENTITLED "PREVENTION OF IMBALANCES IN THE REGIONAL DISTRIBUTION OF NEW ORDERS IN THE SHIPBUILDING SECTOR" WOULD DIVIDE BETWEEN JAPAN AND WESTERN EUROPE, ON EQUAL BASIS, NEW ORDERS DURING PROPOSED TWO-YEAR ARRANGEMENT (1977-1978) AND WOULD ALSO ESTABLISH "SUITABLE INFORMATION SYSTEM" TO MONITOR TRENDS IN RELATIVE SHARES OF ORDERS RECEIVED, AND TERMS AND CONDITIONS OF SALE. AS NON-EC MEMBERS HAD NO TIME TO CONSIDER PROPOSAL IN DEPTH, CHAIR SOLICITED FIRST IMPRESSIONS. SWEDEN, NORWAY, FINLAND, AND SPAIN, SPEAKING WITHOUT INSTRUCTIONS, SAID THEIR AUTHORITIES WOULD PROBABLY ACCEPT BROAD PRINCIPLES CONTAINED IN PROPOSAL.

8. STRONG JAPANESE REACTION.

THE JAPANESE PRELIMINARY REACTION TO THE EC PROPOSAL WAS THAT IT WAS UNACCEPTABLE. THEY CITED PHILOSOPHICAL GROUNDS, SAYING THE JAPANESE ADHERE TO A FREE MARKET, REGARDLESS OF "BOOMS OR BUSTS". THE JAPANESE FURTHER NOTED THAT THE EC PROPOSAL WAS CONTRARY TO OECD PRINCIPLES OF SUSTAINING FREE MARKETS. THE EUROPEANS REJECTED JAPANESE CONTENTION THAT PARTIAL MARKET CONTROLS THREATENED FREE MARKET SYSTEM, AND STATED THAT EC PROPOSAL IS ONLY A TEMPORARY ACTION TO DEAL WITH A CRISIS WHICH THREATENS THE STABILITY OF FREE ECONOMIES. THE EUROPEANS EMPHASIZED THAT THEIR PROPOSAL TO SHARE NEW ORDERS WAS THE ONLY VIABLE ALTERNATIVE TO INSURE EQUITY OF PARTICIPATION IN WORLD SHIPBUILDING MARKET, AS JAPANESE PROCEDURES TO REDUCE MAN-HOURS WILL NOT GUARANTEE A REDUCTION IN PRODUCTIVE CAPACITY OF JAPANESE YARDS.

8. THE CHAIR (SWISS OECD PERMREP GRUBEL) PROPOSED THAT THE JAPANESE BE PREPARED TO DISCUSS EC PROPOSAL AT AN ALREADY SCHEDULED DECEMBER 20-21 EC-JAPAN BILATERAL MEETING WHICH WOULD BE FOLLOWED BY A MEETING OF THE WP JANUARY 11-12. THE JAPANESE, WHILE WILLING TO MEET AT ANY TIME TO FURTHER DISCUSS EC PROPOSAL, INDICATED PROBLEM OF AN IMMEDIATE OFFICIAL RESPONSE DUE TO NEWLY LIMITED OFFICIAL USE

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ELECTED GOVERNMENT, AND EARLY 1977 PREOCCUPATION WITH  
BUDGET. UNRELENTING PRESSURE BY CHAIR AND EUROPEANS  
FORCED JAPANESE TO ACCEDE TO JANUARY MEETING, BUT IN  
DOING SO, JAPANESE DEL SAID THEY COULD ONLY RES-  
POND ON THE BASIS OF INSTRUCTIONS FROM TOKYO.

9. EC STRATEGY EXPLAINED.

IN PRIVATE DISCUSSIONS, EUROPEAN DELEGATIONS INDICATED  
TO US DEL THAT THEY DO NOT REALISTICALLY EXPECT  
JAPANESE TO ACCEPT MARKET SHARING. EC MEMBERS HOPE,  
HOWEVER, THAT A COMPROMISE CAN BE REACHED WHEREBY THE  
JAPANESE AGREE TO MONTHLY REPORTING ELEMENT OF EC PRO-  
POSAL. WP6 MEETING TO REVIEW THESE REPORTS WOULD THEN  
PROVIDE A FORUM FOR REGULAR DISCUSSION AND CONTINUING  
PRESSURE BY EUROPEANS ON JAPANESE TO BE LESS AGGRESSIVE

ON THEIR MARKET SHARE AS THE CRISIS WORSENS.

10. EC PRESS CONFERENCE.

REUTERS REPORTED THAT EUROPEAN DELEGATES AGREED  
PROPOSAL "WAS TOUGH", AND THAT A DUTCH DELEGATE STATED  
"EC IS NOT PREPARED TO LIE DOWN ON THIS MATTER."

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11. COMMENT. EC MARKET-SHARING FORMULA GOES BEYOND  
ANYTHING WE CAN RECALL IN OECD AND - EVEN IF THEY DON'T  
EXPECT TO GET IT - CLEARLY REFLECTS VERY PROFOUND EC  
FEELINGS ABOUT DANGERS TO THEIR SHIPBUILDING INDUSTRY  
AND DECISION TO TURN UP PRESSURE ON JAPANESE.  
TURNER

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## Message Attributes

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